

CENTRAL INTELLIGENCE AGENCY

25 July 1949

INTELLIGENCE MEMORANDUM NO. 197

SUBJECT: Implications for US Security of Developments in Asia

PROBLEM: To assess the trends and probable developments in Asia and
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ASSUMPTIONS: (1) A continuation of present US policies in Asia.
(2) An indefinite continuation of the US-USSR "cold war" with, however, the ever-present contingency of an outbreak of hostilities.

1. Asia's strategic implications.

Trends and developments in Asia are pertinent to this paper only as they are assessed in the light of US security interests and as they would effect the relative power positions of the US and the USSR in the event of war, not only in Asia but in other critical areas of the world as well. Trends and developments in Asia will be an index of the degree to which the USSR is capable of obtaining its objectives in that area as well as the degree to which US countermeasures are effective.

US and Soviet strategic interests in the area here surveyed are discussed in detail in the CIA estimate ORG 17-49, extracts from the Summary of which are set forth below:

Note: This memorandum has not been coordinated with the intelligence organizations of the Department of State, Army, Navy, and the Air Force.

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Auth: DDA REG. 77/1765
16/11/77 By: 611

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"The USSR, in its drive for world domination, can be expected to continue its present attempts at expansion and consolidation in Eurasia by all means short of direct involvement of Soviet armed forces, in an attempt to attain eventual decisive military superiority over the US in intercontinental warfare. Continued Soviet aggrandizement might precipitate open hostilities with the US before the USSR has achieved this decisive superiority.... There is grave danger that the USSR, with its vast territory and preponderant military manpower for employment in Eurasia, might well survive and successfully absorb an initial major US offensive against European USSR and thus achieve at least an intermediate stalemate. Under such conditions, and if the Soviet Union had established effective control over the Far East by occupation of key areas either in peacetime or in the war's early phases, the USSR would be in a position to exploit a self-sufficient Far Eastern war-making complex in addition to its own European industrial and military establishment. This combination could provide the USSR with the capability for decisive action in global war against the US.

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"The present aggressive Soviet attitude in the Far East indicates that the USSR already appreciates that realization of the long-term decisive potential of the region will be enhanced by early elimination of the US from the region, especially if accomplished without resort to war. Maintenance of the present US position in the Far East denies Soviet hegemony over key areas of the region, particularly Japan. Loss of that position, for any reason, will greatly facilitate Soviet exploitation of a potentially decisive war factor and will correspondingly reduce the means for subsequent US counter-action. US ability to derive full strategic advantage from the region and to deny its ultimate exploitation by the USSR largely depends on measures to be taken in the period

- 2 -

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extending from the present. Expansion of Soviet influence in the Far East greatly beyond present limits at the expense of the US Far Eastern position in the prewar period, politically, economically and militarily, would tend to render the remaining US position militarily untenable from the outset of hostilities. Once having lost its present minimum position in the region, the US might well lack the resources needed simultaneously to maintain a major war effort against the Soviet European war-making centers and to deny Soviet realization of the war potential of the Far East.

"US strategic interests in the Far East, therefore, are immediate and continuing, even if limited to denying consolidated Soviet control of the region. Key to this denial is integrated US control of the offshore island chain extending from the Philippines to Japan."

Thus, the offshore island chain, extending from the Philippines through Japan, is shown to be a key area in US security interests. Southeast Asia and India have a direct bearing on US security interests, as well. Southeast Asia is a source of strategic materials needed by both the West and the USSR and upon which Western colonial powers depend, to varying degrees, for hard currency earnings. Southeast Asia is also the seat of colonial-nationalist conflict, plagued by internecine strife and is, with few exceptions, in the throes of chronic economic distress--all factors which make that area highly vulnerable to Communist penetration.

With Indian participation, the British Commonwealth continues to dominate the Indian Ocean and India is in a position to contribute valuable support for US interests in Asia. India itself is capable of development as an industrial area of intraregional significance. More importantly, India, as a major Asiatic power and as the prime example of transition from colonial status to full sovereignty without sacrifice of mutually advantageous relations with the West, is alone in a position to compete

with Chinese Communism for hegemony in Southeast Asia. India requires, however, assurance of the eventual liquidation of Western colonialism in the area.

China poses a different problem. Communist control of China can now be taken as a certainty. Communist domination of China is significant primarily because it enhances USSR capabilities for obtaining Soviet strategic objectives in the Far East and, concomitantly, trends to insure the pro-Soviet political orientation of nearly half the population of that region with the consequent danger of eventual Soviet control over the remainder. Soviet ability to capitalize on the situation in China will depend on the degree of consolidation and control that the Chinese Communists can exert over all elements of Chinese society, and the control that the Kremlin can exert over Chinese Communist leaders. It must be assumed that the grasp of the USSR upon China and of the Chinese Communists on the Chinese people will, for the foreseeable future, grow more firm.

These developments, therefore, assure the USSR control over a large part of the potential self-sufficient war-making complex of Eastern Asia (North China, Manchuria and North Korea) by methods short of war and at the same time measurably increase the vulnerability of the remaining components (Japan and Southeast Asia) to Soviet capture. Finally, should war become imminent, Communist China would provide bases for Soviet forces which could threaten the offshore island chain, which is the minimum US security position in the Far East.

US aid to and continued survival of the Republic of Korea probably has been a psychological factor in deterring opportunistic adherence to

Communism in other Asian countries, since Communist domination of southern Korea would have convinced many people that even US assistance is not capable of halting the growth of Communist power in Asia and the will to resist further Communist encroachments would have been considerably reduced in Japan, the Philippines and Southeast Asia. This net gain to US security interests in the Far East more than offsets the fact that, in case of Soviet attack, the life expectancy of South Korea would be, at best, only a few days.

2. Significance of future developments in Asia.

A. In the foreseeable future, the situation in Asia will provide the USSR with important opportunities for expansion of its control at the expense of the US political, economic, and strategic position in that area. Factors which do or will adversely affect the ability of the US to combat the unfavorable trends are:

- (1) Domination of China by the Chinese Communist Party.
- (2) Expansion of Chinese Communist influence in Asia.
- (3) The dilemma presented by a US desire to encourage the nationalistic ambitions of colonial peoples of Asia presently being exploited by Asia's Communists, and at the same time to provide economic support to the colonial powers as a measure of deriving their assistance in mutual defense against the spread of Soviet control in Europe.
- (4) The manifold factors preventing the early conclusion of a satisfactory peace treaty with Japan and the diminishing returns from a prolonged military occupation.

(5) Japan's economic need for access to Communist controlled areas of Asia.

(6) Continued unrest in non-Communist areas of Asia, with special reference to the consequent vulnerability of the Republic of Korea and Taiwan.

B. The US objective of containing Communism in Asia, however, will be facilitated by the following factors:

(1) US control of or predominant position in Japan, the Ryukyus and the Philippines.

(2) Natural Asiatic fears of Chinese expansionism.

(3) The possible solution of the Indonesian question.

(4) Continued British control of Malaya, a barrier to expansion of Communism through the Indies, as well as a source of strategic materials to the US and dollar earnings to the UK.

(5) Dependence of Indochina, Thailand and Burma upon Western assistance.

(6) The position of India as a relatively stable, independent country with pro-Western inclinations.

(7) China's expected inability to achieve the goal of economic development except by assistance from the West.

(8) Elements of conflict between CCP and Soviet interests in Asia.

C. Added to the factors of US advantage in opposing the spread of Communism in Asia which will tend to operate with or without US stimulation,

there is available also a basis for unifying the non-Communist areas in concerted resistance to Communism, which basis, however, requires strong stimulation to be effective. It contains three fundamentals: a strong sense of nationalism, a general fear of Communism, and the economic interdependence of the non-Communist areas. The fact that these fundamental factors have been exploited or submerged by Communist propaganda in achieving Communist ends in no way minimizes Communist susceptibility to their exploitation in a program of resistance to Communism. It is reiterated, however, that the elements of unified resistance will not emerge spontaneously.

D. The requisites for effective exploitation of the available but latent resistance to Communism are the establishment of economic security throughout non-Communist Asia, which in turn will bring political stability and an increased incentive to resist Communism, and the availability of counter-force for employment in exceptional cases of need.

E. The present adverse trends in Asia are not susceptible to reversal by material assistance alone. The ineffectiveness of such emphasis has been amply demonstrated in China, while the effectiveness of a well-conceived political approach, expertly executed, is being shown in Indonesia. Financial and material assistance, where essential as an adjunct to other measures, will be most successful, it is believed, if extended as a stimulant to the recipients' latent capacity for self-help rather than as a mere monetary inducement not to accommodate with Communism.

3. Current trends and probable developments.

Since 1945, developments in Asia have generally favored the USSR. Unless the US can devise and implement effective counter-measures, these developments probably will continue to do so increasingly in the foreseeable future. A discussion of future developments is to be found in the enclosure which follows.

ENCLOSURE

ESTIMATE OF FUTURE DEVELOPMENTS IN ASIA

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I.

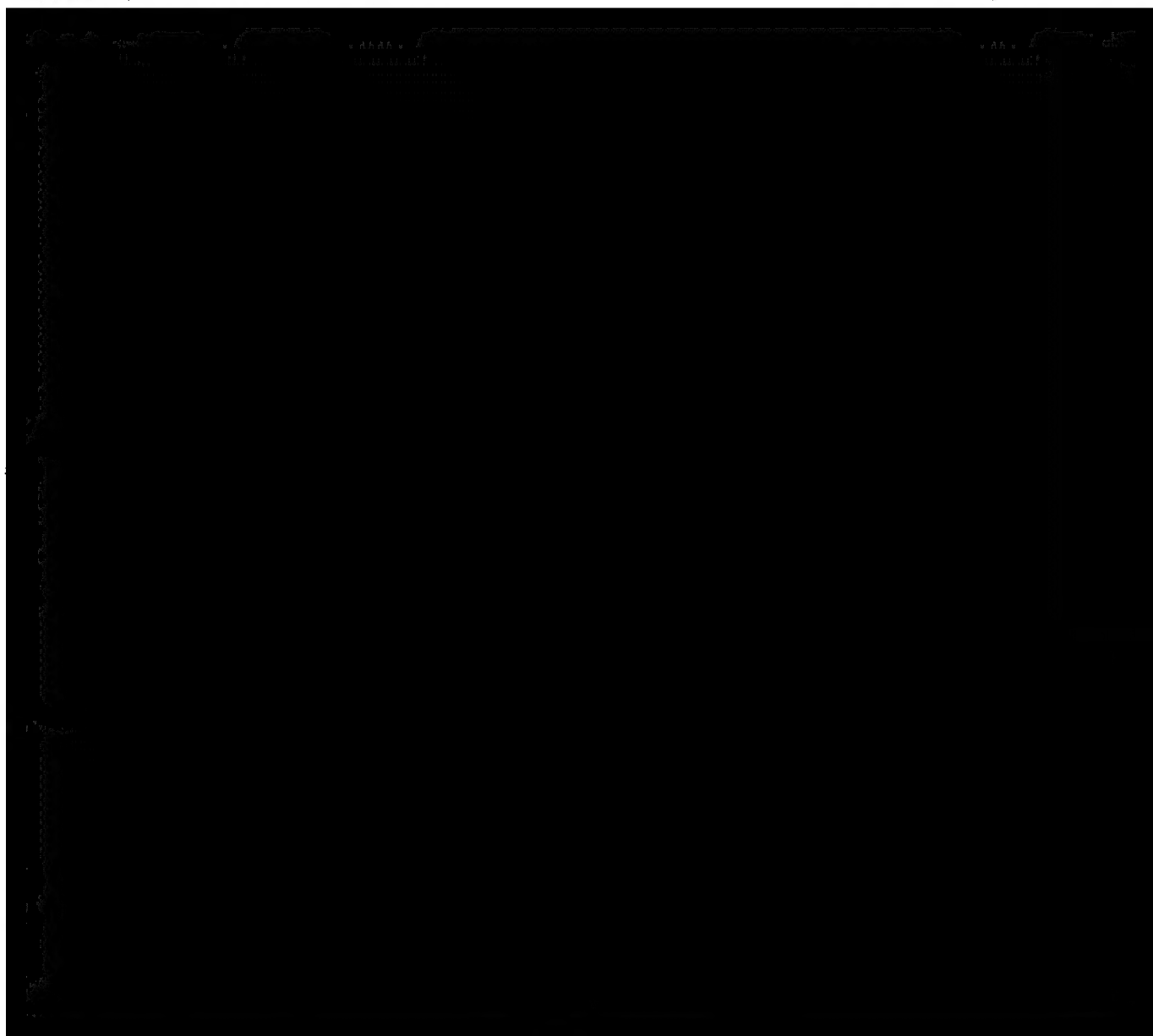
A Communist regime will gain a foothold in the offshore island chain of Eastern Asia within three years, and possibly much sooner, through a Chinese Communist seizure of Taiwan. Elsewhere in the island chain, except where the government remains under US supervision, Communist exploitation of political and economic vulnerabilities might cause the elimination of democratic, pro-US governments within five years. If not already Communist-controlled, these successor regimes will be subjected to strong pressures favoring an accommodation to Communism. After 1954, with the drying up of US postwar assistance, the Philippine Communist Party -- which already is exploiting political and economic dissatisfaction actively -- will acquire increased capabilities for revising the present pro-US orientation of the government.

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The foregoing estimate is based on a great number of interrelated considerations, highlights of which are presented in the following

paragraphs:



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C. Taiwan.

Projection of present trends will bring Taiwan under Chinese Communist control by the end of 1952 or even sooner. If the present Soviet orientation of the Chinese Communists continues, as expected, this island will then be available for military development by the USSR.

- 13 -

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The dominant considerations that make Taiwan vulnerable to Communism are (1) the ruthless exploitation of the island and its people by the Chinese National Government since V-J Day, (2) the influx of several hundred thousand mainland Chinese (civilian and military) which has added to the economic difficulties of Taiwan, normally an area of food and some industrial surpluses, and (3) the estimated inability of the Chinese National Government to prevent increasing Communist infiltration and subversion of either the civilian or military population of the island.

Despite their bitter hatred for the present regime in Taiwan and that regime's incompetence, the Taiwanese have failed to produce a sufficiently strong opposition to gain external non-Communist support. Lacking such assistance the Taiwanese can be expected to develop an amenability to Communist influence. However, their support of almost any alternative to Chinese mainland domination, Nationalist or Communist, could be expected, if such an alternative were available. Even the relatively unattractive alternative of returning to colonial status under the Japanese has been suggested by Taiwanese leaders.

Continued US support of the Chinese Nationalist regime in Taiwan by any measures, political, economic, or military, assures continued suppression of autonomous Taiwanese elements. This in turn would render Taiwanese acceptance of Communist offers of aid more probable and would accelerate the replacement of the Nationalists by a Communist regime.

A Communist seizure of Taiwan will have substantial reactions elsewhere in Asia. A further Communist advance, unopposed by the US and involving an Asiatic island adjoined by US strategic bases, would not go unnoticed and could serve to weaken the will of the non-Communist peoples and governments of Asia to resist Communism in their own areas and to adhere to US leadership. Such a Communist achievement would have an especially serious psychological impact in the Philippines.

D. The Philippines.

For at least the next five years, economic and military dependence upon the US should prevent a shift in the basic orientation of the Philippine Republic toward the US. During this period and thereafter, as US postwar rehabilitation assistance is terminated, a small but active indigenous Communist Party will exploit intensely nationalistic political and labor groups who seek the abrogation of those agreements which give special economic privileges to US citizens and military bases and rights in the Philippines to the US Government. The Communists will also continue to exploit the historically inequitable land-tenure system and will promote militant action against the government. The Philippines will become most susceptible to expansion of Communist influence through the accession to power of opportunistic political groups who willingly accept Communist support. There are already indications of this danger, as in the case of Communist support for Jose Laurel in the coming presidential election.

Additionally, the Philippines will be greatly affected by events elsewhere in Asia. Any sweeping loss of US influence in the

area or a serious challenge to US military control of the offshore island chain will increase the likelihood that political leaders in the Philippines will be willing to accommodate themselves to Communist control of Asia.

Financial and technical assistance from the US will remain essential to the economic rehabilitation of the Philippines for an extended period. Abrupt reduction or termination of US assistance (in grants, trade advantages and military assistance) will not necessarily cause a collapse of the economy but will result in lowered living standards. This development will lead to a rise in anti-US sentiment and greater agitation for the re-examination of the various US-Philippine economic and military agreements. Communist exploitation of such developments is to be expected.

The Philippine Republic is unable to develop indigenous military forces capable of maintaining external security against a determined aggressor. Furthermore, internal security can be maintained only through foreign assistance to the Philippine Army and police force during the next few years. The only immediate external Communist threat to the Philippines is that of Communist China. While it is unlikely that Communist China would attempt military aggression against the Philippines during a period of peace between the US and the USSR, general Philippine apprehension over this possibility, as well as traditional anti-Chinese feeling, has increased Philippine dependence on US protection.

II. China and Korea---Presently or potentially Communist-controlled.

A. China (excluding Taiwan)

Anti-Communist armed forces in China no longer exist as an organized, cohesive, centrally-directed military force. They now consist of widely scattered groups of regional "warlord" troops and Nationalist armies have almost completely lost the will to fight. Communist forces are currently capable of launching simultaneous operations in the South, Southwest, South and Northwest, eliminating all effective military resistance by the end of 1950. However, such a rapid expansion would create difficult administrative problems for the Communists, who, therefore, probably will choose to continue their methodical piecemeal conquest of China, resulting in the final liquidation of remaining non-Communist forces in or about 1952.

None of the actual or potential anti-Communist armed forces in China, acting individually or in concert, even with unlimited US logistic support, can survive beyond 1952 except on sufferance of the Communists, or the assistance of US armed intervention.

The economic activities of the National Government in Canton, and of almost every provincial government, are largely confined to the search for sufficient revenue to maintain military and political power. This search is not being, and will not be, successful. Economic paralysis and military expenditures throughout almost all of non-Communist China has pauperized the National and provincial governments. The province of Szechuan is the only area of mainland China which possesses a relatively

sound economy. However, anti-Communist troops in this area can be expected to capitulate when faced by a major Communist force, and Szechuan is an enticing prize which the Communists will not long forego.

The process of disintegration and fragmentation in Nationalist China is so far advanced as to render almost impossible the establishment of a functioning government or even a loosely-organized coalition capable of offering effective resistance to the Communists. The political power of the National Government is identified with its military forces and with its international status, and will disappear when they do. The ~~existing~~ almost completely discredited both in the areas which it has abandoned and the areas it occupies, has no popular support as a Party (even though certain regional leaders have local support), and anti-Communist forces which may be formed in China in the future would probably not desire to conduct their struggle under the aegis of a resurrected Kuomintang. Of the several warlords who may be capable of resisting the Communists militarily for another two or three years, probably not one is capable of gaining sufficient popular support to lead a revolutionary movement outside his present area of military control. The ~~pro-Chinese~~ figures among the minority parties which have attached themselves to the Communists, in every case lacking armed forces of their own, will have even less opportunity for exerting significant pressure on the Communists than they did on the Nationalists. The prospects for long-term political resistance are somewhat better among the Mongols of Western Manchuria and Inner Mongolia, the Moslems of the Northwest, and the

Tibetans of the far western provinces, but these people total only a few million, and none of their leaders is of sufficient stature to attract widespread Chinese support. The Communist techniques of repression will presumably alienate significant elements of Chinese society, but it is anticipated that those same techniques will make impossible any effective large-scale resistance movement; that resistance which develops will probably be only or largely passive, incapable of threatening the foundations of the state.

B. Korea.

The predominant trend in Korea is toward complete Communist control of both northern and southern Korea. This trend is expected to continue until the Korean Republic falls victim to the presently less numerous but probably better trained and disciplined forces of the northern Communist regime, augmented when necessary by Chinese Communist forces from Manchuria. This trend may be accelerated by the inefficiency and shortsighted authoritarianism which characterize the Republic's efforts to restrain Communism in its territory, inducing by these oppressive measures a public reaction favoring Communism.

Barring the possible eventuality that the Republic will invite Communist domination earlier than planned by the USSR by impetuously openly hostilities with the northern regime, the time for invasion of the Republic must depend upon Soviet estimates of the area's vulnerability to an attack by the northern regime which does not involve assistance of USSR forces, as well as upon the USSR's planning schedule for extending

its direct control in the Far East. Until that time arrives, Soviet short-term objectives may be adequately served by allowing the Republic to continue as an economic liability, draining US resources, while the USSR directs continuation of psychological warfare, harassing border incidents and guerrilla operations throughout the Republic.

There are factors, however, which tend to decelerate the trend toward Communist control of Korea. These are (1) the ability of the Republic's armed forces to absorb US training and equipment, (2) the effectiveness of US economic assistance in preventing distress and, ideally, in stimulating limited self-sufficiency, (3) the development of traditional Korean attitudes and standards that are incompatible with Communism and, (4) counteraction of the effects of Communist psychological attacks. Nevertheless, it is not expected that these factors can prevent ultimate Communist control of the whole of Korea.

XII. Indochina, Thailand and Burma--the food-surplus group.

The rice surplus area of Asia (Indochina, Thailand and Burma) will suffer basic political instability for the foreseeable future. In Indochina, this instability will continue so long as France attempts to reimpose colonial controls, either by direct military action or by limiting the powers of the French-sponsored Bao Dai Government to something less than sovereignty. Burma will continue to be torn by political factionalism and internecine strife. Thailand, at present comparatively stable, contains elements which may easily lead to domestic unrest. The instability in this area will continue indefinitely, with little prospect

for unassisted establishment of the strong regimes necessary for the realization of nationalistic and/or ideological aspirations. Without such developments, this area will remain increasingly vulnerable to Communist penetration and possibly to ultimate Communist control. Although the recognized governments in the area are anti-Communist, none gives compelling evidence of being either willing or able to maintain its anti-Communist position without external support.

The continuation of political unrest in the area will minimize the availability of normally large rice surpluses to strategically important neighboring deficit areas. Furthermore, the attendant economic distress will provide increasing opportunities for Communist exploitation within the surplus area itself. None of the governments in the area, moreover, is capable of developing indigenous military forces adequate to maintain external security, and even internal security can be maintained during the next few years only with foreign assistance.

IV. Malaya and Indonesia--the strategic materials group.

Internecine strife is expected to continue for at least the next five years in this, the area most productive of strategic raw materials in the Far East. This strife will be stimulated in Indonesia by the withdrawal of Dutch administrative control and the resultant contest for power between Republican and Federalist groups, and in both areas by an increase in Communist Party strength and activities. The present anti-Communist orientation of the governments in the area will be maintained for a similar period, but it will be increasingly subject to internal

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and external Communist pressure. A deterrent to this trend in Indonesia is the strength of the Moslem religion there.

The militant spirit of nationalism will be maintained indefinitely in Indonesia and probably will develop gradually from its present narrow state in Malaya. An independent United States of Indonesia will probably emerge early in 1950, and the new state is likely to be increasingly dominated by the present Republic of Indonesia. It will be many years, however, before all elements in Malaya will either desire or be in a position to receive a comparable status.

The area's wealth in strategic materials is almost completely dependent on external markets. A world depression, with accompanying decreases in prices (particularly US dollar prices for rubber and tin), would bring extremely serious economic dislocation to the area, with repercussions in Europe. Resultant unemployment and further depressed standards of living would inevitably increase susceptibility to Communism. Even with continued adequate markets, the anticipated prolongation of civil disturbance in the area may also depress the economy and increase the vulnerability to Communism. Thus, the area will continue to require foreign economic assistance.

Indonesia could become self-sufficient in food and the potential for an expanding economy there is bright. Malaya, however, will depend upon unstable neighboring areas for half its food supply indefinitely, since it appears impossible to reorganize or diversify the Malayan economy. Neither Malaya nor Indonesia is capable of developing indigenous military forces adequate to maintain external and internal security.

V. India, Pakistan, Afghanistan and Ceylon--the West Asia group.

A. The Subcontinent.

Increasing political stability in India, Pakistan and Afghanistan over the next several years is indicated. Continuation of the favorable trend is, however, contingent upon two factors: (1) improvement rather than deterioration in the economic situation and, (2) a peaceful and satisfactory solution of the Kashmir dispute. Failing a satisfactory solution in Kashmir, relations between India and Pakistan on the one hand and between Pakistan and Afghanistan on the other can be expected to remain at the present level of distrust and bitterness or at worst to degenerate into full scale hostilities. This would result in the disappearance of Pakistan as a political entity, the emergence of a strife-torn and communally-inflamed India and the appearance of an expanded Afghanistan, so beset by tribal restiveness and internal turmoil as to invite Soviet occupation.

The relationship of Afghanistan-Pakistan dispute to the Kashmir problem lies in Afghanistan's desire to assure that, in the event of war between India and Pakistan, Pakistan territory west of the Indus River would revert to Afghan control.

The financial demands upon India and Pakistan occasioned by the present state of affairs in Kashmir, constitute a serious drain upon their economy. Equally unfortunate, preoccupation with problems arising from the Kashmir dispute, or from the subsidiary Afghanistan-Pakistan dispute, prevents proper attention by the leaders in each of

the countries to problems which must be solved if unrest is not to increase. Given peace, and a lessening of mutual suspicions, it is believed that a gradually improving economic condition within each of the three countries can be expected.

Internal opposition to the government of Afghanistan is sporadic and no Communist or subversively-minded group of any significant proportions is believed to exist. Government projects have been undertaken which should result in a partial alleviation of Afghanistan's primary problem--food production.

The Government of Pakistan, despite the recent emergence of internal hostile forces, is believed to be firmly entrenched and not likely of displacement within the next five years. A surplus of agricultural products other than foodstuffs and near sufficiency in food production permits maintenance of the present basic economic level, with gradual improvement in the over-all economy through a continuing excess of exports over imports of prime necessity. With the government's alleged ability to dole out lands to its large refugee population over a period of several years and with the absence of any subversive group of significant size, at least in West Pakistan, serious unrest should be prevented.

India presents a more complex picture. Its economy is under considerable stress at present. Discontent among laboring classes and peasantry in many parts of the country is evident and both Communist and non-Communist dissidents currently constitute some threat to the stability

of the present government. The government's strenuous attempts to increase food production with existing facilities, and to improve utilization of food produced, should result in a considerable decrease in the quantity of essential food imports. In the fields of both industrialization and land reclamation, adverse balances of trade need be incurred by India if contemplated projects are undertaken in haste. While such haste is highly desirable from the viewpoint of improving India's well-being, it is believed that with the determined and sometimes ruthlessly forceful group now in control of the country, the basic psychological needs of the Indian people can be met sufficiently to assure that group's continuation in power for the next six or seven years. During that time a slow but apparent economic improvement may result from the more gradual development of India's potential, through increased purchases of capital goods from soft currency areas and the rational and efficient utilization of India's internal capital for improvements within the country.

The threat to India's stability from Communist agitation and the spread of pro-Communist thought will remain real, whatever policy of development and improvement the Government of India may follow, although that threat is decreased by the speed with which economic improvement is attained. The apparent willingness of the Government of India to take all measures necessary to suppress what it considers subversion should allow an increase in that length of time.

B. Ceylon.

The maintenance of Ceylon's present economic and political stability appears to be dependent upon its ability to withstand the

peacetime deterioration of its rubber industry, large part of which cannot now operate profitably. The declining income from rubber exports is not so serious as is the discontent which may develop from the failure of many of Ceylon's small indigenous rubber growers. The present conservative and pro-western government is fairly firmly established and it is believed capable of weathering the increased opposition which can be expected to develop as a result of the rubber situation. Nevertheless, the possibility of a change of government, with control shifted to the more radical and irresponsible elements in the legislature, exists.

Evidence that the government is taking effective steps to lessen the Island's dependence on imported food stuffs and the continuing and profitable demand abroad from Ceylon's products other than rubber indicate that no serious deterioration of Ceylon's over-all economic position need be anticipated. As the standard of living in Ceylon is considerably higher on the average than that prevailing in India and Pakistan, the insistence upon economic improvement there is not so pressing.